

CITY COUNCIL AGENDA ITEM COVER MEMO

FOR AGENDA OF COUNCIL MEETING/WORK SESSION - DATE : January 12, 2012

ACTION REQUESTED BY: Huntsville Utilities

SUBJECT MATTER : TVA Agreement

EXACT WORDING FOR AGENDA: Resolution authorizing the Mayor to execute a Tri-Party agreement among TVA, Huntsville and Lockheed Martin, allowing Lockheed Martin to participate in the Valley Investment Initiative. (Utilities: Electric)

ORDINANCE:

RESOLUTION: X

MOTION:

(IF AMENDMENT, STATE TITLE AND NUMBER OF ORIGINAL): N/A

ITEM IS TO BE CONSIDERED FOR:

INTRODUCTION:

ACTION: X

DISCUSSION:

UNANIMOUS CONSENT REQUIRED? No

BRIEFLY STATE WHY THE ACTION IS REQUESTED; WHY IT IS RECOMMENDED OR NOT RECOMMENDED; WHAT COUNCIL ACTION WILL PROVIDE, ALLOW, OR ACCOMPLISH; ANY ASSOCIATED COST; BUDGETED (?); AND ANY OTHER INFORMATION THAT YOU THINK MIGHT BE HELPFUL. Approval of this resolution will authorize the Mayor to execute an Agreement with TVA, Huntsville Utilities and Lockheed Martin, allowing Lockheed Martin to participate in the Valley Investment Initiative (VII). This program offers financial incentives to qualifying power customers who contribute to the economic development of the TVA region and complement TVA's power system resources.

MAYOR RECOMMENDS OR CONCURS? YES _____ NO _____ N/A _____

SIGNATURE: William C. Pippin, President & CEO

DATE: December 16, 2011

RESOLUTION NO. 12-_____

WHEREAS, the City of Huntsville, Alabama (hereinafter referred to as Distributor), and Tennessee Valley Authority (hereinafter referred to as TVA), have heretofore entered into Power Contract TV54501A, dated May 26, 1980, as amended (which contract is hereinafter called the Power Contract); and

WHEREAS, Lockheed Martin (hereinafter referred to as Company), Distributor and TVA wish to enter into an agreement with respect to Company's participation in the Valley Investment Initiative Participation Agreement (VII Agreement); and

WHEREAS, Company, Distributor and TVA wish to enter into such other arrangements as are necessary between TVA and Distributor with respect to Distributor providing service to Company under the VII Agreement;

WHEREAS, there is now presented to the City Council of the City of Huntsville, Alabama, a proposed tri-party agreement instituting the Valley Investment Initiative Participation Agreement to be effective upon the date executed by TVA, with the representation that the said agreement has been approved by the Huntsville Electric Utility Board.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntsville, Alabama, that it does hereby approve the aforesaid tri-party Agreement and Tommy Battle, as Mayor of the City of Huntsville, Alabama, be, and he is authorized to execute said tri-party Agreement for and on behalf of the City of Huntsville, Alabama, and the Clerk-Treasurer be and he is hereby authorized to attest the same and to affix thereto the seal of the City of Huntsville, Alabama, all in as many counterparts as may be necessary.

BE IT FURTHER RESOLVED by the City Council of the City of Huntsville, Alabama, that the Mayor be, and he is hereby authorized to enter into an agreement by and between the City of Huntsville, the Tennessee Valley Authority and Lockheed Martin, on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, which said agreement is substantially in words and figures similar to that certain document attached hereto and identified as "Valley Investment Initiative Participation Agreement Among Lockheed Martin, City of Huntsville, Alabama and Tennessee Valley Authority," consisting of 17 pages and the date of _____, 2012, appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the _____ day of _____, 2012.

President of the City Council of the
City of Huntsville, Alabama

APPROVED this the _____ day of _____, 2012.

Mayor of the City of Huntsville,
Alabama



12/11
Electric Bd council
WCF

Tennessee Valley Authority, Post Office Box 292409, Nashville, Tennessee 37229-2409

November 29, 2011

Mr. William C. Pippin
President and CEO
Huntsville Utilities
112 Spragins Street
Huntsville, Alabama 35801

Dear Mr. Pippin:

VII PARTICIPATION AGREEMENT

Enclosed are three originals of the Valley Investment Initiative Participation Agreement. Upon execution of the ~~three~~ duplicate originals of the Participation Agreement by Huntsville Utilities and Lockheed Martin, please return them to Jared Mitchem for further handling and execution by TVA.

Jared E. Mitchem
Manager, Economic Investments
TVA Economic Development
26 Century Blvd., Suite 100, OCP 2A
Nashville, Tennessee 37214

The signed Participation Agreement originals will need to be returned to TVA no later than December 18, 2011. Please note that the Participation Agreement originals will be dated when presented to TVA for execution.

Please also include a copy of Lockheed Martin's VII-conforming power contract with the signed Participation Agreement originals. A VII-conforming power contract is one with a term at least as long as the VII Award Period, April 2017.

Upon execution by TVA, ~~two~~ fully executed Participation Agreement originals will be returned to you for your and Lockheed Martin's files.

Sincerely,

A handwritten signature in black ink that reads "John Bradley".

John J. Bradley
Senior Vice President
Economic Development

A handwritten signature in black ink that reads "Van M. Wardlaw".

Van M. Wardlaw
Executive Vice President
Customer Relations

Enclosures

**VALLEY INVESTMENT INITIATIVE
PARTICIPATION AGREEMENT**
Among
**LOCKHEED MARTIN,
CITY OF HUNTSVILLE, ALABAMA,**
And
TENNESSEE VALLEY AUTHORITY

Date: _____

VII Contract No. 5538

TV-54501A, Supp. No. 106

THIS AGREEMENT will confirm the understandings among LOCKHEED MARTIN (Company), CITY OF HUNTSVILLE, ALABAMA (Distributor), and TENNESSEE VALLEY AUTHORITY (TVA) with respect to Company's participation in the Valley Investment Initiative (VII) being jointly conducted by Distributor and TVA.

It is understood and agreed that:

SECTION 1 - DEFINITIONS

Underlined terms used in this agreement are defined in Company's "Valley Investment Initiative Award Application" (VII Award Application) which is attached to and made a part of this agreement.

SECTION 2 - TERM

This agreement shall become effective on the date first written above (Effective Date), and shall continue in effect through the end of the Award Period described below, except that the provisions of sections 3.2, 6.2, 7.3, 7.4, 9.3, and 10 below shall continue in effect until the obligations of the parties under them are fulfilled.

SECTION 3 - ELIGIBILITY FOR VII

3.1 Company's Certification. Company's eligibility for the VII award provided for in section 4 below is based on TVA's determination that Company meets the criteria of a Qualifying Customer at Company's Qualifying Plant. It is expressly recognized that such determination is based on information provided and certified by Company in the VII Award Application.

3.2 Access to Records. Company shall keep and make available accurate records and books of accounts related to Company's VII Metrics, as well as data to support compliance with the terms and conditions of this agreement. Company shall allow Distributor, TVA, and their agents and employees, free access, at any time during normal working hours and upon reasonable notice, to all such books, records, and other documents of Company until the completion of all close-out procedures respecting this agreement and the final settlement and conclusion of all issues arising out of this agreement.

SECTION 4 - VII AWARDS

Based on Company's projections and the information contained in the VII Award Application, Company will be eligible to receive a VII award in the form of monthly credits on Company's power bill (Bill Credits) for a 5-year Award Period, beginning on January 6, 2012. Except as otherwise provided below, Distributor shall apply the monthly Bill Credits for each year of the 5-year period in amounts equal to 1/12 of the Maximum Annual Award amounts set out in the table below.

Year	Maximum Annual Award
1	\$33,711.05
2	\$33,711.05
3	\$33,711.05
4	\$33,711.05
5	\$33,711.05

In the event that Company receives more than one power bill in any month for its Qualifying Plant, a pro rata portion of the Bill Credit will be applied to each power bill in proportion to the total retail amount of each power bill. Company shall not be eligible for and will not earn or receive any Bill Credits for any amount that exceeds the amount of Company's monthly power bill(s) attributable to Company's Qualifying Plant in any given month.

SECTION 5 - REPORTING BY COMPANY

5.1 Annual Reporting. Within 30 days after the first 12 months of Company's Evaluation Period, and within 30 days after each 12-month period of the Evaluation Period thereafter, Company shall provide TVA a report certified by Company's duly authorized officer (Annual Certification), and verified by Distributor pursuant to section 6.1 below, showing Company's VII Metrics for the previous year. The Annual Certification shall be in a form furnished by TVA.

5.2 Continuing Reporting Obligation. Company shall immediately notify Distributor and TVA of any material changes in the information provided in its VII Award Application or its Annual Certifications. Upon receipt of such notice, TVA may at that time calculate an Adjusted Award pursuant to section 7 below.

SECTION 6 - DATA SUPPLIED BY DISTRIBUTOR

6.1 Annual Certification. It is recognized that Company's eligibility to receive the Bill Credits provided for in this agreement is based on information provided by Company and, where applicable, verified by Distributor in Company's VII Award Application and Annual Certifications. Distributor shall review Company's Annual Certification each year and, where requested by TVA, shall certify the accuracy of certain items, including:

- (a) Company's payment history under its power supply contract with Distributor,

- (b) total kWh usage and highest Total Metered Demand of Company's Qualifying Plant for each of the previous 12 months,
- (c) total kWh usage of Company's Qualifying Plant during Peak Hours, and
- (d) whether Company's Qualifying Plant is a Nonconforming Load.

6.2 Monthly Data. It is recognized that Distributor may be responsible for providing and maintaining metering facilities which are capable of recording the data specified in items (b) and (c) above. If requested by TVA, Distributor shall make available to TVA any such meter data necessary for TVA to verify Company's eligibility for participation in VII or calculate Bill Credits under this agreement. Distributor shall also furnish to TVA a copy of Company's power bill each month, which shall itemize the amount of any Bill Credit for that month, and any other information related to Company's eligibility for and participation in VII as TVA may reasonably request.

6.3 Other Information. Distributor shall promptly notify TVA if Company materially breaches the power supply contract under which power is supplied to Company's Qualifying Plant or materially breaches any overlay, supplement, or amendment to that contract, such that Distributor either suspends or terminates power supply, or suspends or terminates any product or other arrangements made available as an overlay, supplement, or amendment to the power supply contract.

SECTION 7 - AWARD ADJUSTMENT AND RECOVERY

7.1 Annual Award Adjustments. Each year, and immediately upon receipt of any notice pursuant to sections 5.1 and 5.2 above, TVA will calculate adjusted Maximum Annual Awards (Adjusted Awards) for the Evaluation Period. The Adjusted Awards will be calculated by applying the VII Metrics provided in Company's Annual Certification or notice to the same formula that was used in calculating the Maximum Annual Awards set out in the tabulation in section 4 above, except that if the total kWh usage in the previous year is at least 80% of the total kWh usage for the Base Year, the monthly Total Metered Demand and kWh usage values from the Base Year will be used in the calculation. If the Adjusted Awards are less than the Maximum Annual Awards for those years set out in section 4 above, the sum of Company's monthly Bill Credits in the remaining Award Period years will be equal to the Adjusted Awards for the remaining Award Period minus the difference between the monthly Bill Credits Company received and the amount that the Bill Credits would have been if they had been calculated using the VII Metrics provided in Company's Annual Certification or notice. Notwithstanding TVA's calculation of Adjusted Awards, it is expressly recognized that Company shall neither earn nor receive in any month Bill Credits greater than 1/12 the Maximum Annual Awards set out above.

7.2 Disqualification. During the term of this agreement, TVA will use Company's VII Metrics and other information available to TVA during the Evaluation Period and Award Period to determine whether Company remains eligible to participate in VII. If at any time during the term of this agreement TVA determines that Company ceases to qualify for VII, the Bill Credits provided under section 4 above shall be discontinued. At such time, if any, during the Award Period that Company provides certification that it again meets the VII eligibility requirements set forth in the VII Award Application, the Bill Credits will resume. Company shall not be eligible for and will not earn or receive any Bill Credits for those periods when it does not qualify for VII.

7.3 Award Recovery. Company shall not be eligible to receive Bill Credits under section 4 above if at any time any of the following occurs:

- (a) Company provides materially false information on its VII Award Application or Annual Certifications;
- (b) Company fails to notify TVA of material changes in information provided in its VII Award Application or Annual Certification;
- (c) Company materially breaches the power supply contract under which power is supplied to Company's Qualifying Plant or materially breaches any overlay, supplement, or amendment to that contract, such that Distributor either suspends or terminates power supply, or suspends or terminates any product or other arrangements made available as an overlay, supplement, or amendment to the power supply contract;
- (d) Company's power supply contract otherwise expires or is terminated without being renewed or replaced by a power supply contract meeting the requirements of the VII Award Application; or
- (e) Company ceases commercial operation of its Qualifying Plant.

If any of the events identified in (a) – (e) above occur, this agreement shall be deemed to have automatically terminated as of the date of said occurrence, and promptly upon receipt of an invoice, Company shall immediately pay to Distributor any and all award amounts paid to Company during any period when Company was ineligible to receive Bill Credits as well as any and all award amounts in excess of those to which Company was entitled based on its actual VII Metrics.

7.4 Final Adjustment and Recovery. Upon receipt of Company's final Annual Certification and calculation of the corresponding Adjusted Award, Company's remaining monthly Bill Credits will be reduced by the difference between the monthly Bill Credits Company received and the amount that the Bill Credits would have been if they had been calculated using the VII Metrics provided in Company's final Annual Certification. In the event that the remaining Bill Credits are insufficient to recover the difference, Company shall immediately pay to Distributor the unrecovered balance of the difference.

SECTION 8 - ENHANCED GROWTH CREDIT

It is understood and agreed that Company and Distributor shall not enter into an Enhanced Growth Credit (EGC) participation agreement during the term of this agreement.

SECTION 9 - WHOLESALE ADJUSTMENTS

9.1 Company Credit. Each month Distributor shall apply the Bill Credit to Company's power bill. TVA shall notify Distributor of (a) any adjustment to the Bill Credits provided for under section 7.1 of this agreement and (b) any discontinuance of Bill Credits in accordance with sections 7.2, 7.3, or 7.4 of this agreement.

9.2 Distributor Credit. TVA will apply a monthly credit to Distributor's wholesale power bill equal to the Bill Credit applied by Distributor to Company's bill in that month.

9.3 Award Recovery. In the event that under the provisions of section 7.3 of this agreement it is determined that Company received Bill Credits for which it was not eligible, Distributor and TVA shall fully cooperate in (a) endeavoring to collect from Company any

amounts due under said sections 7.3 and/or 7.4 and (b) making appropriate adjustments to Distributor's wholesale power bill to pass through to TVA amounts collected from Company. The obligations of this paragraph shall survive any expiration or termination of the VII Participation Agreement until they are discharged.

SECTION 10 - CONFIDENTIALITY

It is expressly recognized that the VII Award Application and the Annual Certification are the property of TVA and are not intended for further distribution. Except as may be otherwise required by law, (a) Company shall not disclose those documents or their contents except to TVA or Distributor and (b) TVA and Distributor will not disclose confidential information provided by Company in those documents or confidential information provided pursuant to 3.2 above without Company's consent.

SECTION 11 - NOTICES

11.1 Persons to Receive Notice. Any notice required by this agreement shall be deemed properly given if delivered in writing to the address specified below: (a) personally, (b) by recognized overnight courier service, or (c) by United States Mail, postage prepaid.

To TVA:

Jared E. Mitchem
Valley Investment Manager
TVA Economic Development
26 Century Blvd., Suite 100 OCP 2
Nashville, Tennessee 37214

To Company:

Keith Clevenger
Financial Analyst
Lockheed Martin
4800 Bradford Drive
Huntsville, Alabama 35807

To Distributor:

William C. Pippin
President and CEO
Huntsville Utilities
Post Office Box 2048
Huntsville, Alabama 35804-2048

11.2 Changes in Persons to Receive Notice. The designation of the person to be so notified, or the address of such person, may be changed at any time and from time to time by any party by similar notice.

SECTION 12 - WAIVERS

A waiver of one or more defaults shall not be considered a waiver of any other or subsequent default.

SECTION 13 - APPLICATION CORRECTION

13.1 Total Metered Demand. Notwithstanding the information provided by Company on page 2 of the attached VII Award Application, the parties acknowledge and agree that the Plant's highest Total Metered Demand and kWh usage in each of the previous 12 months are as follows:

Consumption for the Month of:	10-Jul	10-Aug	10-Sep	10-Oct	10-Nov	10-Dec	11-Jan	11-Feb	11-Mar	11-Apr	11-May	11-Jun
kW	392	414	414	363	338	327	372	407	390	339	450	532
kWh	310,608	288,144	297,840	278,976	234,912	235,728	295,008	283,344	262,032	260,304	195,552	190,992

13.2 Energy Efficiency Improvement. Notwithstanding the information provided by Company on page 3 of the attached VII Award Application, the parties acknowledge and agree that the Plant's Energy Efficiency Improvement for Years 1 thru 5 are as follows: Year 1 – 0%, Year 2 – 0%; Year 3 – 0%; Year 4 – 0%; and Year 5 – 0%.

SECTION 14 - ENTIRE AGREEMENT

All terms and conditions with respect to this agreement are expressly contained herein and Company agrees that no representative or agent of TVA or Distributor has made any representation or promise with respect to this agreement not expressly contained herein.

SECTION 15 - SUCCESSORS AND ASSIGNS

This agreement may be assigned by TVA, but shall not be assignable by Company or Distributor without written consent of TVA.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized representatives, as of the day and year first above written.

LOCKHEED MARTIN

By _____
Title:

CITY OF HUNTSVILLE, ALABAMA

By _____
Title:

TENNESSEE VALLEY AUTHORITY

By _____
Senior Vice President
Economic Development

Valley Investment Initiative

THE VALLEY WORKS IN
TVAworks.com | TVAWORKS.COM

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Existing Customer Form

Application Instructions: Once the Customer confirms the VII Award Application projections below and is ready to formally apply, please complete all remaining gray fields. White fields have been populated by TVA based on the projections given in the Preliminary Evaluation. The Customer may revise these projections in the Preliminary Evaluation. Light green fields are optional.

Print the Form and Attachments 1 & 2 in color, sign the Form, obtain the Power Distributor's signature, and return the Form by mail to Program Manager, Valley Investment Initiative, TVA Economic Development, 26 Century Blvd., Suite 100, Nashville, TN 37214. Customer must provide with this form (a) copies of its most recent annual and quarterly reports containing consolidated financial statements and, (b) the twelve most recent power bills for the Plant.

<u>Customer Information</u>			
Customer Name (enter "Confidential" if applicable): Project Name (if Customer Name is Confidential):	Lockheed Martin		
Estimated Customer Decision/Commitment Date:	Mid November 2011		
Project/Investment Description:	Ground Based Mid Course Defense, Development and Sustainment Contract		
Customer Contact Person:	Lorrie Molloy		
Customer Contact Person Title:	Offer and Proposal Operations, Cost Strategy, Sr. Manager		
Customer Contact Telephone Number:	303-731-9286		
Customer Contact E-Mail Address:	lorrie.l.molloy@lmco.com		
<u>Project Information</u>			
Is this a competitive project?	YES		
If yes, list competing locations and facilities: Is the investment related to, or does it depend on another facility closing?	Boeing, HSV vs Lockheed Martin, HSV NO		
If yes, list facilities and locations:	N/A		
<u>Plant Information</u>			
Plant Location:	4800 Bradford Dr	Huntsville	Madison
Plant Book Value:	\$11,162,741	City	AL
Plant is Served by:	Huntsville Utilities		
Rate Schedule Classification for Primary Use of Electricity at the Plant:	General		
Base Year Power Contract Demand for the Plant:	greater than 1,000 kW, but not more than 5,000 kW		

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Base Year Power Usage														
Consumption for the Month of:	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Annual Production Qty	Production Unit
kW	311	322	382	414	414	363	338	327	372	407	390	339	51,122	Aug Peak Hours kWh
kWh	238,896	232,032	310,608	288,144	287,840	278,976	234,912	235,728	295,008	283,344	262,032	260,304	55,108	51,122
Btu, if Applicable	2,100	632	484	372	378	522	702	1,231	2,433	2,233	1,583	3,785		
Does the Customer have specific energy efficiency projects planned over the next five years?	NO													

Encouraging energy efficiency in the Valley requires the cooperative effort of TVA, power distributors, and end-use customers. TVA, in partnership with local power companies, offers incentive programs and assistance for energy efficiency projects. Learn more today about potential incentives for your projects at www.tva.com/fee/.

Eligibility

Did the Customer have 25 or more Plant employees (FTEs) in each of the previous 12 months?

If "Yes", how many FTEs?

List the nonexcluded NAICS Code for the Plant (see Definitions for excluded NAICS):

Is the Customer receiving Enhanced Growth Credits (EGC) or currently participating in the EGC program?

Is the Customer projecting at least 25% Capital Investment in its Plant (as a % of Plant Book Value) over the 5-year Evaluation Period?

Year-by-Year VII Projections

Energy & Production

Evaluation Period	Average Monthly Total Metered Demand (kW)	Highest Annual Total Metered Demand (kW)	Peak Hours Energy Usage - Estimate	Total Annual Electric Energy Usage (kWh)	Annual Non-Electric Btu Usage	Annual Production Quantity
Baseline	366	414	106,230	3,217,824	16,425	0
Year 1	429	486	124,800	3,779,768	19,293	
Year 2	404	457	120,123	3,655,418	18,148	
Year 3	378	428	112,543	3,331,067	17,003	
Year 4	395	447	114,924	3,480,634	17,769	
Year 5	384	434	114,153	3,378,715	17,246	
Evaluation Period	Economic					
	Annual Capital Investment (\$)					
Year 1	\$7,295,500					
Year 2	\$41,311,500					
Year 3	\$54,492,600					
Year 4	\$1,035,100					
Year 5	\$1,274,200					
Evaluation Period	Customer Average Wage (Annual)					
Year 1	\$72,000					
Year 2	\$72,000					
Year 3	\$72,000					
Year 4	\$72,000					
Year 5	\$72,000					

Lockheed Martin Proprietary Information

VII Customer Form

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Award Application

VII Award Application Projections

Award Period	Annual Capital Investment (\$)	Average Full-Time Equivalent Employees	Customer Average Wage			Annual Load Factor	Coincident Load Factor
			Energy	Efficiency	Improvements		
Year 1	\$7,295,500	1,506	\$72,000		#DIV/0!	88.8%	89.2%
Year 2	\$41,311,500	1,769	\$72,000		#DIV/0!	88.8%	89.2%
Year 3	\$54,492,600	1,664	\$72,000		#DIV/0!	88.8%	89.2%
Year 4	\$1,035,100	1,559	\$72,000		#DIV/0!	88.9%	89.2%
Year 5	\$1,274,200	1,629	\$72,000		#DIV/0!	88.9%	89.2%

VII Award Application Information

Customer's Legal Name:	Lockheed Martin						
<i>As stated in Attachment 1, "Customer" is the legal entity with a qualifying power contract. The company submitting this Application must be the same as the company purchasing power under a qualifying power contract.</i>							
Customer DUNS Number:	75457143						
Person to Receive Notices Related to any VII Award contract:	Keith Clevenger						
Title:	Financial Analyst						
E-mail Address:	Keith.clevenger@lmco.com						
Telephone Number:	(256) 722-4896						
Mailing Address:	4800 Bradford Drive	Huntsville	Alabama	35807	City	State	Zip Code
Does the Customer have interval metering in place at the Plant?	NO						
If no, will the Customer have such metering installed in the next 6 months and have arrangements in place for reading and reporting meter data to TVA?	YES						
Does the Customer have a remaining term at least as long as Customer's VII Award Period on each standard firm power contract for the Plant?	YES						
If no, will the Customer, within the next 6 months, make the contractual commitment necessary to purchase firm power for the Plant from Distributor for a term to end no earlier than the end of Customer's VII Award Period?							
Award Payment Options (please select one only):	Decreasing	<input type="checkbox"/>	Flat	<input checked="" type="checkbox"/>	Increasing	<input type="checkbox"/>	

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VALLEY INVESTMENT INITIATIVE HUNTSVILLE SUBMITTAL FORM FOR REVIEW AND PROCESSING

I am an authorized representative of the Customer listed below, and I certify to TVA that the above information is true and correct.

Lockheed Martin

Name: Lorrie Motley

Title: Sr. Manager, SSC Offer and Proposal Operations

Date: 07/20/2001

I am an authorized representative of the Power Distributor listed below, and I certify to TVA that the information directly below is true and correct.

Huntsville Utilities

Name: Darren Hunter

Title: Account Representative

Date: 07/16/11

Signature: J. Motley

Signature:

Date:

Power Distributor Verification

Base Year Power Usage from Most Recent Bills

Customer/Provider Name	5/1/2010	01/1/2010	7/1/2010	8/1/2010	01/1/2010	10/1/2010	11/1/2010	12/1/2010	1/1/2011	2/1/2011	3/1/2011	4/1/2011	5/1/2011	July Total Hours, KWh	Aug. Peak Hours, KWh	Aug. Peak Hours, kWh	
KWH	311	322	312	414	411	313	338	327	372	407	350	310	310	280,304	280,304	55,108	51,122
AWH	239,818	232,032	310,628	286,144	287,840	278,976	234,912	205,728	235,084	235,344	202,032	202,032	202,032	202,032	202,032	202,032	202,032

Does the Customer have interval metering in place at the Plant?

No.

If no, will the Customer have such metering installed in the next 6 months and have arrangements in place for reading and reporting meter data to TVA?

Yes

Does the Customer have a remaining term at least as long as Customer's VII Award Period on each standard firm power contract for the Plant?

YES

If no, will the Customer, within the next 6 months, make the contractual commitment necessary to purchase firm power for the Plant from Distributor for a term no earlier than the end of Customer's

NO

Application Review for Internal TVA Use Only
Review Items
1. All required fields completed.
2. Signed and dated.
3. Required Financial Documents submitted.
4. Complete Application Received Date:

7.6.2011

Valley Investment Initiative



TVA RESTRICTED INFORMATION: This Valley Investment Initiative ("VII") form is the property of TVA and is not intended for further distribution. Except as may be otherwise be required by law, (a) Customer shall not disclose this document or its contents except to TVA; and (b) TVA will not disclose confidential information provided by Customer herein without Customer's consent.

Attachment 1 Definitions

- A.1.1 "Annual Average Demand" shall mean for any 12-month period the kW amount calculated by dividing a Plant's total kWh usage during that period by the total number of clock hours in the period.
- A.1.2 "Annual Load Factor" shall mean the percentage calculated by dividing a Plant's total metered energy for any year by the product of the highest Total Metered Demand for that year and the number of clock hours in that year.
- A.1.3 "Award Period" shall mean the period from the first billing period in which a Customer is scheduled to receive a VII Bill Credit through the 5th anniversary of said billing period.
- A.1.4 "Base Year" shall mean the 12-month period immediately preceding the date a Customer submits a VII Award Application.
- A.1.5 "Coincident Load Factor" shall mean for any 12-month period the percentage calculated by dividing the Annual Average Demand for that period by the Peak Period Average Demand for that period.
- A.1.6 "Customer" shall mean a company purchasing power for its Plant from TVA or a distributor of TVA power under a written power supply contract(s).
- A.1.7 "Customer Average Wage" shall mean the Customer's total annual payroll (minus benefits) for Full-Time Equivalent Employees divided by the number of Full-Time Equivalent Employees.
- A.1.8 "Energy Efficiency Improvement" shall mean the projected percentage improvement during the Evaluation Period in a Plant's Energy Efficiency Metric (as defined below) resulting from the implementation of either building improvements (Commercial Metric) or process-based improvements (Manufacturing Metric) at the Plant. The Energy Efficiency Improvement represents the incremental change in the Energy Efficiency Metric from year to year as a percentage Base Year Energy Efficiency Metric. The Energy Efficiency Improvement calculations will be either performed or approved by TVA.
- The Energy Efficiency Metric to be used in determining the Commercial Metric is the Customer's annual kWh usage per square foot (ft²) of Plant area. The Energy Efficiency Metric to be used in determining the Manufacturing Metric is the measurement submitted by the Customer and approved by TVA. This measurement may be the Plant's annual kWh or Btu usage per unit of plant output, where plant output may be quantity of product produced, volume/weight of product produced, dollars of product produced (price held constant), or such other measurement that is approved by TVA.
- Energy (kWh) reductions resulting from on-site generation purchased by TVA cannot be the basis for any Energy Efficiency Improvements.

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A.1.10 "Full-Time Equivalent Employee" for any month shall mean the sum of (a) the number of full-time on-site Plant employees and contractors of a Customer who spend 100% of their work time on Plant-related matters in that month and (b) a number equal to the sum of total hours worked on Plant-related matters in that month by (i) full-time on-site Plant employees of Customer who spend less than 100% of their work time on Plant-related matters and (ii) part-time on-site Plant employees of Customer divided by the number of work hours in that month (based on an 8-hour work day, Monday through Friday).

A.1.11 "Meter Data" shall mean Plant interval data during Peak Hours and other Plant power use data necessary to calculate the following:

- (a) total Plant kWh usage and highest Total Metered Demand for each month of the Base Year and Evaluation Period,
- (b) Annual Load Factor,
- (c) Coincident Load Factor.

A.1.12 "Nonconforming Loads" as currently defined, shall mean electrical loads with a total contract demand of more than 50 MW and with one or more of the following characteristics:

- (a) expected load swings of approximately 50 MW or more and ramp rates of approximately 10 MW or more per minute,
- (b) loads with expected daily reactive power ramp rates of 50 MVAR or more per minute,
- (c) loads known to create voltage flicker exceeding the limits set out in the Institute of Electrical and Electronics Engineers (IEEE) Standard 1453, or
- (d) loads known to create harmonic current distortions exceeding the limits set out in IEEE Standard 519.

A.1.13 "Peak Hours" shall mean from 13:00:00 to 18:59:59 Central Prevailing Time (CPT) during the calendar months of July and August; provided, however, that Peak Hours shall not include hours that fall on Saturdays, Sundays, or Independence Day.

A.1.14 "Peak Period Average Demand" for any 12-month period shall mean the kW amount calculated by dividing a Plant's total kWh usage during the Peak Hours of that 12-month period by the total number of those Peak Hours.

A.1.15 "Plant" shall mean all (a) physical personal property and (b) things attached, annexed, or fixed to the Customer's real property (such as Customer's building) that are (1) used in the Customer's trade or business characterized by the same NAICS code(s), (2) depreciable for federal income tax purposes, and (3) located on contiguous real property in the TVA service area.

A.1.16 "Plant Book Value" shall mean the most recent depreciated value of a Customer's Plant for Federal income tax purposes.

A.1.17 "Qualifying Customer" shall mean a Customer that submits a VII Award Application and is found by TVA to meet the Customer eligibility requirements.

A.1.18 "Qualifying Plant" shall mean a Plant for which a Customer has submitted a VII Award Application and is found by TVA to meet the Plant eligibility requirements.

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A.1.19 "Total Metered Demand" shall mean the average during any 30-consecutive-minute period beginning or ending on a clock hour of the total load at the Customer's Plant measured in kW.

A.1.20 "Total Capital Investment" shall mean the sum of the following during the Evaluation Period

- a. investments in the Plant which Customer intends to depreciate for Federal income tax purposes; and
- b. the depreciated book value of Customer assets transferred to the Plant from outside the TVA service area.

A.1.21 "VII Metrics" shall mean the information necessary for TVA to determine a Qualifying Customer's monthly award under the VII Program. For any year, the VII Metrics shall include that year's:

- (a) total Plant kWh usage and highest Total Metered Demand for each month,
- (b) contribution towards the Total Capital Investment,
- (c) Plant production data relevant to Customer's Energy Efficiency Improvements,
- (d) average number of Full-Time Equivalent Employees,
- (e) Customer Average Wage,
- (f) Annual Load Factor, and
- (g) Coincident Load Factor.

The VII Metrics shall be based on the most current data available and certified by Customer's duly authorized officer.

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Attachment 2 Eligibility

A.2.1 A Qualifying Customer with a Qualifying Plant will be eligible for a VII award.

A.2.2 **Contractual Requirements.** A Customer's power supply contract(s) for power supplied to its Plant must provide for the Customer to purchase firm power for a term at least as long as the Customer's VII Award Period under a general service rate schedule or a manufacturing service rate schedule, or any replacement schedule of the general service or manufacturing service rates schedule. The power supply contract(s) may include a pricing overlay under a separate agreement implementing a TVA-approved program, subject to all of the standard terms and conditions under which the program is offered.

A.2.3 **Minimum Demand Requirements.** A Customer must establish a Total Metered Demand of at least 250 kW in each of the 12 billing months preceding the effective date of its Valley Investment Initiative Participation Agreement (VII Participation Agreement). Further, a Customer will not be eligible to receive a monthly award under the VII Participation Agreement, in any month where the Total Metered Demand is not at least 250 kW.

A.2.4 **Minimum Capital Investment.** A Customer must make a Total Capital Investment of at least 25 percent of its Plant Book Value, including capital investment of at least

- (a) 5 percent of its Plant Book Value during the first year,
- (b) 8 percent of its Plant Book Value during the first two years,
- (c) 11 percent of its Plant Book Value during the first three years,
- (d) 14 percent of its Plant Book Value during the first four years, and
- (e) 25 percent of its Plant Book Value during the first five years

of the Customer's Evaluation Period.

A.2.5 **Minimum Workforce Requirements.** A Customer must employ at least 25 Full-Time Equivalent Employees during each month of the Customer's Base Year and in each month during the Evaluation Period. Further, a Customer that eliminates, or projects the elimination of, 50% or more of its Full-Time Equivalent Employees during the Evaluation Period shall not be a Qualifying Customer.

A.2.6 **Nonconforming Loads.** A Plant with Nonconforming Load characteristics shall not be a Qualifying Plant.

A.2.7 **Ineligible Industry Sectors.** A Plant where the major use of electricity is for activities which are classified with one of the following North American Industry Classification System (NAICS) codes shall not be a Qualifying Plant:

Excluded Sectors - Corresponding NAICS Codes
Agriculture, Forestry, Fishing, and Hunting - 11
Mining - 21

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Utilities - 22
Construction - 23
Retail Trade - 44-45
Transportation - 48, 491, 492
Real Estate and Rental and Leasing - 53
Administrative and Support and Waste Management and Remediation Services - 56
Educational Services - 61
Health care and Social Assistance - 62
Arts, Entertainment, and Recreation - 71
Accommodations and Food Service - 72
Other Services - 81
Public Administration - 92

Provided however that a Plant where the major use of electricity is for activities within an excluded NAICS code may participate in the program if the Customer and Plant under the following conditions:

- The Plant's sub-sector industry multiplier and Customer Average Wage exceed the Valley average;
- The Customer provides documentation demonstrating economic development support and/or incentives being provided by state and/or local economic development partners; and
- TVA's VII Committee determines that the customer meets the above requirements, other VII qualification criteria, and programmatic intent.

A.2.8 Financial Review. A Qualifying Customer must be determined by TVA to be financially viable. In order to facilitate TVA's evaluation of a Customer's financial condition, a Customer will provide, upon request by TVA: (i) a copy of Customer's three most recent annual reports containing consolidated financial statements and its most recent quarterly report containing consolidated financial statements; and (ii) such different or additional financial information as TVA may from time to time request for TVA's use in evaluating Customer's financial condition. The financial statements to be provided by Customer shall be prepared in accordance with generally accepted accounting principles.

A Customer may provide financial statements requested in subsection (i) above for a parent entity of Customer, if Customer-level statements are not available. Such a Customer must certify that Customer is a wholly owned subsidiary of the parent entity and Customer's financial information is consolidated within the financial statements of the parent entity.

TVA will consider a Customer financially unviable and ineligible for the VII program under the following conditions:

- Customer or Customer's parent entity is reorganizing or winding down in bankruptcy as of the date it submits a VII Award Application;
- Customer's risk levels exceed allowable levels as solely determined by TVA; or
- Customer fails to provide adequate power contract performance assurance as required by Distributor.

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A.2.9 Meter Data. A Qualifying Plant must have metering in place capable of recording Plant interval data during Peak Hours and other Plant power use data necessary to calculate the VII Metrics. A Qualifying Customer must have arrangements in place with TVA and/or Customer's Distributor to provide for the collection, processing (if any), and transmission to TVA of all Plant Meter Data and corresponding VII Metrics.